Northern Ontario Pipe Line Corporation

In 1953, nearly all blindly ignored evidence that eastern Canadian gas distributors objected to the proposed high selling prices under the "all-Canadian" plan and that western Canadian gas producers also objected to selling their product at a somewhat lower price than available through another proposed pipe line that would initially serve Canadian prairies and United States markets, and at a later stage serve eastern Canada. Worst of all, none of the advocates of the so-called "all-Canadian" policy, which was essential, they claimed—and still do, and there is a good deal of merit in the argument —to the national interest and to the industrial development of northern Ontario and to which they were publicly committed, were publicly willing to admit any obligation of the nation and particularly the province chiefly benefiting, namely Ontario, to relieve producers, consumers and investors of any part of the extra burden imposed by the national policy. I refer, of course, to the much higher capital costs and lower potential earning rate of the politically desirable project as compared with the most economic pipe line route and market development plan.

The delays in starting construction—to which gas purchase and gas marketing contracts, and finances are essential—stem primarily from the slow descent from the clouds of patriotic emotion to the ground level of economic fact-facing by Canada's political leaders. Also a major factor in the delay has been the rising cost of the "all-Canadian" project, now up a cold $100 million to an estimated $375 million. The biggest part of the cost increase is due to rising labour, steel and other material costs; the balance to a change to bigger-diameter pipe, and route changes in northern Ontario. Pipe, labour and other costs are going higher, making more urgent an early start of construction.

Meantime, out in western Canada—particularly in Alberta—new discoveries of natural gas reserves have been piling up surplus, shut in for lack of markets, at an average rate of some 4,000 billion cubic feet per year. So far, some $150 million in hard cash has been invested by a host of Canadian and foreign companies in gas lands and wells which have no market and no income and are eating up interest at a rate that could soon crush some of the smaller Canadian companies and seriously curb even the big firms if the bars to export are not quickly torn down by the construction of pipe lines.

The successful results of gambling large sums of money on gas exploration, and the growing knowledge that only the surface of our west's huge gas potential has been scratched, are rapidly convincing more and more Canadians in high places that our national gas policy should be based on recognition of long-term surplus and not fear of shortage, a stand I have urged in Alberta and in this house for several years.

The Social Credit government of Alberta and the Liberal government of Canada have become increasingly realistic in their recognition of gas surplus, and thus their growing willingness to allow a larger—but still tiny—percentage of the rising surplus to go into markets outside Canada. This government also now realistically recognizes—although I regret some of my colleagues in the Conservative ranks apparently do not—that the larger the volume of gas sold by Trans-Canada into American markets, the more economic will the project become, for the benefit of Canadian consumers and producers, by reducing the transport cost of gas moved between Canada's west and east.

There is also another vital fact that is realistically recognized by this Liberal government and by the Conservative government of Ontario, even though some of the Conservatives and Socialists in this house seem to be unwilling to concede it. That fact is that no pipe line company, no matter who its backers are, can hope to secure full finances from the insurance companies, banks and private investors—Canadian or foreign—until it ties up sufficient gas purchase and sales contracts, and necessary government export and import permits, to ensure an adequate minimum of income at least to service its bonded indebtedness.

The present Trans-Canada company which has been greatly increased in financial strength and vastly altered in its pre-public-financing ownership, has since the changes a few months ago made a tremendous amount of progress in gas purchase and sales contract negotiations. Its gas purchase contracts in Alberta now amount to almost 100 per cent of requirements, and the small balance will be arranged for very shortly. Sales commitments in eastern Canada and the prairies now amount to over 90 per cent of the required minimum. A firm contract has been entered into with Tennessee Transmission company for large volume highload factor sale of Canadian gas at Emerson, Manitoba, at most satisfactory prices, contrary to some erroneous reports, and for short-term import of American gas at Niagara for use in the buildup of Canadian markets east of Toronto as far as Montreal.

Trans-Canada also, as the Minister of Trade and Commerce pointed out yesterday, has the only available guaranteed supply of pipe to be found to do the job this year. One vital factor still stands between Trans-Canada and its ability to publicly finance the